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A REVIEW OF BUSINESS CONDITIONS  
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Agricultural-Industrial Relations Section  
A.A.A.





A REVIEW OF BUSINESS CONDITIONSNear-Term Outlook

The near-term outlook for business has been considerably clarified since August when the last Review of Business was prepared. Conditions suggestive of an approaching relapse in productive activity were summarized in the business review as early as last April at which time the statement was made that: (see page 5 of the April Review of Business) "Taken together with some relapse in commodity prices and a slowing up in buying in the textile and steel industries, this (i.e. the reaction in stock prices) is suggestive of an early top, probably temporary, to the current expansion in industrial production". The reaction in production then anticipated is now in evidence. If the close relationship between productive activity and industrial stock prices which has prevailed since 1932 (see attached chart) should continue industrial production could be expected to recede to around the 100 level, on the basis of the fall in stocks which has already taken place.

Industrial production fell from 117 (1923-25=100) in August to 111 in September, according to the Federal Reserve Board report. A further decline to around 106 in October is suggested by weekly indexes of production and of business activity. Several of the weekly series on which this statement is based appear on the first of the attached charts. Some further decline is probable before renewed expansion gets definitely underway. How long the relapse will last and how serious it will be is dependent on future developments, particularly in the financial markets; but that a sustained upward surge will make an appearance earlier than next spring appears doubtful.

The jolt to business confidence, incident to one of the sharpest and deepest declines the stock market has ever suffered, will act as a retarding influence for some months. Construction, which had already been unfavorably affected by rising costs, will be further retarded by increased difficulties of floating new capital issues as well as by a natural tendency, on the part of industrial managements, to delay expansion plans until business rights itself.

It's the old story that, once started, such a movement as the current relapse in production generates its own power. Then for a time the numerous factors favorable to further expansion (housing shortages, need for industrial and utility capital expansion, deferred equipment needs of the railroads, low interest rates and a plethora of credit, the favorable trend in "real" income of consumers, and a subnormal level of industrial production) are swept aside.

Based on the American Telephone and Telegraph index which is corrected both for seasonal variation and on long-time trend. Some of these declines in production cover slightly different dates from those in stocks.



A REVIEW OF BUSINESS CONDITIONSLong-Term Outlook

The near-term outlook for business has been considerably clarified since August when the last Review of business was prepared. Conditions suggestive of an approaching relapse in productive activity were mentioned in the business review as early as last April at which time the statement was made that: (see page 8 of the April Review of business) "Taken together with some relapse in commodity prices and a slowing up in buying in the textile and steel industries, this (i.e., the recession in stock prices) is suggestive of an early top, probably temporary, to the current expansion in industrial production." If the recession in production then anticipated is now in evidence, it should close relationship between productive activity and industrial stock prices which has prevailed since 1932 (see attached chart) should continue industrial production could be expected to recede to around the 1931 level, on the basis of the fall in stocks which has already taken place.

Industrial production fell from 117 (1932-33=100) in August to 111 in September, according to the Federal Reserve Board report. A further decline to around 106 in October is suggested by weekly indexes of production and of business activity. Several of the weekly series on which this statement is based appear on the first of the attached charts. Some further decline is probable before renewed expansion gets definitely underway. How long the relapse will last and how serious it will be is dependent on future developments, particularly in the financial markets; but that a sustained upward surge will make an appearance earlier than now spring appears doubtful.

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Let's the old story that, once started, such a movement as the current relapse in production resumes its own power. Then for a time the numerous factors favorable to further expansion (housing shortage, need for industrial and utility capital expansion, deferred equipment needs of the railroads, low interest rates and a glut of credit, the favorable trend in "real" income of consumers, and a substantial level of industrial production) are swept aside.



2/ Not a major decline. The decline in 1937 was, according to Federal Reserve Board index, the last for business.

Faced earlier in the year only with the necessity of some curtailment to offset a period of overbuying, business now has the "jitters" and a decline in production, perhaps comparable to that of the minor cycle of 1923-24, is underway. Production will probably average lower in 1938 than in 1937, only a part of the loss of the early months being made up before the year ends. The 1923 and 1929 minor cyclical declines in stocks were somewhat larger than the declines in stocks.

The minor cycles have often interrupted temporarily major business movements. The present recession may be of this temporary character, and if so it should terminate during the next 6 to 9 months. Barring developments not now apparent, a renewal of the major upward trend in production may be expected to be in evidence by the end of 1938, and probably continuing without substantial interruption until sometime in 1940 to a considerably higher level than has yet been attained in this or any previous recovery. This would be a fairly normal course for the business cycle to pursue if we are not now in a major recession.

The 13-month decline in production from June 1937 to March 1938 is comparable to the 13-month decline in Federal Reserve Board index of 24.5 percent. A similar decline at present would

The March to October 1937 decline of about 41 percent in the Dow-Jones industrial average has been exceeded only four times since 1897, and the decline of 57 percent in the rails exceeds that of any other period except that from 1929 to 1932. The following table shows the extent of the major stock market declines since 1897 and the declines in business associated with them:

# Percentage Declines in Stocks and in Business Activity

Period of market decline	Stocks (D.J. industrials)	Business activity 1/
1899-1900	31.7	15.0
1901-1903	46.0	16.5
1906-1907	48.5	30.4
1912-1914	24.6	23.0
1916-1917	40.1	15.5
1919-1921	46.6	37.6
1923 2/	18.8	21.1
1926 2/	16.6	17.1
1929-1932	89.2	58.9
1937 (to October)	40.8	12.4 3/

1/ Based on the American Telephone and Telegraph index which is corrected both for seasonal variation and on long-time trend. Some of these declines in business cover slightly different dates from those in stocks.



# The longer-term outlook

Proceed earlier in the year only with the necessity of some estimate to offset a period of overlying. Business now has the "litter" and a decline in production. Perhaps comparable to that of the minor cycle of 1933-34, is underway. Production will probably average lower in 1938 than in 1937, only a part of the loss of the early months being made up before the year ends.

Minor cycles have often interrupted temporarily major business movements. The present recession may be of this temporary character, and it is a short estimate during the next 6 to 8 months. Having developments not now apparent, a renewal of the major upward trend in production may be expected to be in evidence by the end of 1938, and probably continuing without substantial interruption until some time in 1939 to a considerably higher level than has yet been attained in this or any previous recovery. This would be a fairly normal course for the business cycle to pursue if we are not now in a major recession.

## The decline in stock prices

The March to October 1927 decline of about 41 percent in the Low-Jones industrial average has been exceeded only four times since 1897, and the decline of 87 percent in the retail index that of any other period except that from 1928 to 1932. The following table shows the extent of the major stock market declines since 1897 and the decline in business associated with them:

Percentage declines in stocks and in business activity

Period of market decline	Stocks (Low-Jones)	Business activity %
1927-1928 (to October)	40.8	12.4
1929-1932	87.2	68.2
1918-1921	46.8	37.8
1914-1917	40.1	18.8
1912-1914	34.5	33.0
1908-1909	48.8	30.4
1901-1903	45.0	18.8
1898-1900	31.7	18.0

Based on the American Telephone and Telegraph index which is corrected both for seasonal variation and on long-time trend. Some of these declines in business cover slightly different dates from those in stocks.



- 2/ Not a major decline.
- 3/ Decline in production, rather than in business, assuming a Federal Reserve Board index of 106 for October.

Associated with the four previous declines in stocks, shown above, ranging between 40 and 50 percent were two declines in business amounting to about 16 percent and two exceeding 30 percent. The declines in business associated with the 1923 and 1926 minor cyclical declines in stocks were somewhat larger than the declines in stocks. The Federal Reserve Board index of industrial production during the three latest periods covered in the tabulation declined 20.8, 9.0, and 53.6 percent respectively.

Though the current decline in stock prices ranks among the largest on record, absence of the most obvious signs which usually warn of impending cyclical declines in production--tight money, overbuilding, feverish speculation, abnormal business activity, favorable employment opportunities--is suggestive of a rather moderate relapse in production both as to extent and duration; possibly similar in both respects to that of 1923-24. The 13-month decline in production from June 1923 to July 1924 amounted to 22 points in Federal Reserve Board index or 20.8 percent. A similar decline at present would last until early 1938 and would result in an index of production, at the low, between 95 and 100. While in many respects the 1937 situation is similar to that of 1923, it should be observed that in 1923 security flotations for the production of capital goods both here and abroad were not at the present low level.

#### Nonagricultural Income

Nonagricultural income declined from 98.2 percent of the 1924-29 average in August to 96.8 in September. With the single exception of the decline from December 1936 to January 1937, following unusually heavy year-end dividend disbursements, this is the first relapse in 26 months. The continued slump in industrial production and in general business activity through October may have been accompanied by some further recession in nonagricultural income.

The total of \$47,838,000,000 nonagricultural income during the first 9 months of 1937 compares with \$42,124,000,000 during the corresponding period of 1936--a gain of \$5,764,000,000 or 13.7 percent. Should income decline again in October by about the same amount as in September and then hold at the October rate for the last two months of the year, the 1937 total would approximate \$63,700,000,000 as compared with \$57,815,000,000 last year. To this estimate for 1937 would be added any extraordinary year-end dividend disbursements. These may be not more than half as great as last year when they totaled about \$440,000,000. It now appears that nonagricultural income in 1937 may be slightly below 64 billion dollars, about 10.5 percent above 1936, but that by the year end the income level will be



Not a major decline.  
Decline in production, rather than in business, assuming a Federal Reserve Board index of 100 for October.

Associated with the four previous declines in stocks, shown above, ranging between 40 and 50 percent were two declines in business amounting to about 10 percent and two exceeding 30 percent. The declines in business associated with the 1923 and 1928 minor declines in stocks were somewhat larger than the declines in stocks. The Federal Reserve Board index of industrial production during the three latest periods covered in the table declined 80.0, 8.0, and 35.6 percent respectively.

Through the current decline in stock prices which would be largest on record, absence of the most obvious signs which normally warn of impending cyclical declines in production--tight money, overbuilding, leveling recession, abnormal business activity, favorable employment opportunities--is suggestive of a rather moderate decline in production both as to extent and duration; possibly similar in both respects to that of 1923-24. The 13-month decline in production from June 1923 to July 1924 amounted to 22 points in Federal Reserve Board index of 80.0 percent. A similar decline at present would last until early 1936 and would result in an index of production, at the low, between 68 and 100. While in many respects the 1927 situation is similar to that of 1923, it should be observed that in 1923 activity remained for the production of capital goods both here and abroad were not at the present low level.

### Nonagricultural Income

Nonagricultural income declined from 85.5 percent of the 1924-25 average in August to 86.6 in September. With the single exception of the decline from December 1926 to January 1927, following unusually heavy year-end dividend distributions, this is the first response in 22 months. The continued slump in industrial production and in general business activity through October may have been accompanied by some further recession in nonagricultural income.

The total of \$47,888,000 nonagricultural income during the first 9 months of 1927 compares with \$48,124,000 during the corresponding period of 1926--a gain of \$2,236,000 or 4.7 percent. Should income decline again in October by about the same amount as in September and then hold at the October rate for the last two months of the year, the 1927 total would approximate \$65,700,000 as compared with \$67,812,000 last year. To this estimate for 1927 would be added any extraordinary year-end dividend distributions. There may be not more than half as great a loss year when they totaled about \$40,000,000. It now appears that nonagricultural income in 1927 may be slightly below \$4 billion dollars, about 10.5 percent above 1926, but that by the year end the income level will be



about the same as at the end of 1936.

A relapse in nonagricultural income at this season is in sharp contrast to the upward movement during all corresponding periods since 1932. It may prevent the strong upward surge in retail trade which has characterized the holiday season of all years, since the present recovery period got underway, and imperils the expansion in farm income.

### Farm Income

The gain in farm cash income, including government payments, from \$5,432,000,000 during the first 9 months of 1936 to \$6,175,000,000 this year amounts to 13.7 percent. Percentagewise this is the same size of increase as is estimated for nonagricultural income.

The recent trend of farm income has been less favorable than that of the nonfarm population. The index of farm cash income (benefits included) dropped from 95.7 in June to 81.5 in September, and, according to the latest income report of the Bureau of Agricultural Economics, income from marketings was probably down further in October, after correction for seasonal variation.

The decline in farm prices, which is responsible for the current slump in income, apparently has continued. Wholesale prices of grains and meats were considerably lower late in October than a month earlier and cotton was slightly lower despite some recent recovery. Live hogs declined about \$1.50 per cwt. from mid-September to mid-October.

With supplies of some farm products increasing and the upward trend of consumer demand halted the outlook for farm prices and income for 1938 is not as favorable as was that for 1937. The following table is of interest in this respect.

### Farm and Nonfarm Income Available for Farm Living

	Gross farm income (incl. Bene.)	Selected farm expenditures	Farm income available for living	Available nonfarm income	Per capita income available for living		
					1910-14=100	Ratio farm to nonfarm	
					Farm	Nonfarm	Percent
1924-29	\$11,681	\$4,923	\$6,758	\$66,470	156.8	193.1	81.2
1932	5,337	3,480	1,857	44,918	42.6	119.8	35.6
1933	6,406	3,383	3,023	41,464	67.8	110.5	61.4
1934	7,276	3,460	3,816	47,128	85.3	124.6	68.5
1935	8,608	3,580	4,928	50,319	110.1	131.8	83.5
1936 (P)	9,530	3,725	5,805	57,188	129.7	148.4	87.4
1937 (Est.)	10,100	4,000	6,100	63,600	136.7	163.4	83.7



about the same as at the end of 1932.

A release in nonagricultural income at this season is in sharp contrast to the upward movement during all corresponding periods since 1932. It may prevent the strong upward surge in retail trade which has characterized the holiday season of all years, since the present recovery period got underway, and impedes the expansion in farm income.

### Farm Income

The gain in farm cash income, including government payments, from \$2,422,000 during the first 3 months of 1932 to \$2,125,000, this year amounts to 12.7 percent. Percentage-wise this is the same rate of increase as is estimated for nonagricultural income.

The report trend of farm income has been less favorable than that of the national population. The index of farm cash income (benefits included) dropped from 85.4 in June to 81.5 in September, and, according to the latest income report of the Bureau of Agricultural Economics, income from marketing was probably down further in October, after correction for seasonal variation.

The decline in farm prices, which is responsible for the current slump in income, apparently has continued. Wholesale prices of farm and home were considerably lower late in October than a month earlier and action was slightly lower despite some recent recovery. Live pigs declined about 21.00 per cent. from mid-September to mid-October.

With supplies of some farm products increasing and the upward trend of consumer demand halted the outlook for farm prices and income for 1932 is not as favorable as was that for 1931. The following table is of interest in this respect.

Farm and Nonfarm Income Available for Farm Living

Year	Total	Income	Farm ex-	Selected	Farm in-		Ratio farm to nonfarm	
					come avail-	avail-	1930-1931	for living
1934-35	\$11,681	\$4,395	\$2,752	\$2,752	\$2,752	\$2,752	103.1	81.2
1933	5,337	4,400	1,827	4,400	4,400	4,400	119.8	82.6
1932	6,409	3,333	3,028	3,333	3,333	3,333	110.5	81.4
1931	7,276	3,480	3,812	3,480	3,480	3,480	124.5	88.8
1930	8,202	3,350	4,322	3,350	3,350	3,350	131.8	83.8
1929 (p)	9,230	3,722	5,802	3,722	3,722	3,722	148.4	87.4
1927 (est.)	10,100	4,000	6,100	4,000	4,000	4,000	153.7	88.7



The anticipated 1937-38 increase in per capita farm income available for living is the smallest of the current recovery period and the first to show a decline relative to nonagricultural per capita income. For 1938 a lower level of industrial activity is likely to mean a somewhat smaller total nonfarm income and with the pressure of increasing carryover in cotton and wheat on farm prices, farm income could easily fall off relatively more than non-farm income.

### Key Industries

#### Steel

After having held through most of the third quarter of 1937 at a much higher rate than could have been explained by current demand, steel mill operations have recently been sharply reduced. The curtailment which started in the week ending September 18th had resulted in a drop of 31 percent by the October 16th week, according to the seasonally corrected index of the New York Times. Strangely enough, operations in the automobile industry, which has consistently been the most important consumer of steel during the last 5 years, expanded about 45 percent (to a new high monthly record after correction for seasonal) while steel mill operations were slumping so drastically. The earlier production of new models is largely responsible for the recent favorable showing of the automobile industry.

It of course has been known for months that steel mill operations were being sustained partially by the backlog of orders built up earlier in the year. Now that steel mills have caught up, the low rate of demand from such important consuming channels as railroads and construction is serious. Demand from the container and farm equipment industries, which has grown to about twice its relative pre-depression importance, continues active.

#### Automobiles

The future course of demand from some of the industries consuming large amounts of steel must be anticipated in evaluating the outlook for the steel industry. Automobile production for 1937 will apparently exceed 5 million cars and trucks as will be deduced from the following:

	10 Months' production U. S. (000)	Nov.-Dec. (000)	Calendar year total U. S. (000)
1935	3,147	800	3,947
1936	3,560	894	4,454
1937	4,150	?	?







Production in October was about 130,000 ahead of last year and Ford is understood to have been slow in getting underway on his 1938 model. With the added impetus of heavy Ford production in the final two months total output might reach 1,000,000 units, and certainly should exceed the 880,000 necessary to a 5 million car year.

United States auto production reached 5,358,420 in 1929 and totaled 9,717,188 for the two years 1928-1929. The 1936 out-turn amounted to 4,454,115 (second only to 1929) and that of 1937 will bring the two year total close to that of the 1928-29 predepression record. This rate of output will be hard to maintain. Deferred new user demand has probably been pretty well satisfied by now. The number of cars near the junkable age (i.e. the number in excess of total sales during the past 8 years) is probably at the highest point in 1937 that it has ever been or will likely be for 8 or 10 more years.

Thus, without the drawback of increased prices, stiffening credit terms, a halt to the increase in consumer incomes, and discouragement, among the auto buying classes, of a stiff reaction in stock prices, the 1938 outlook would be for no increase in production. With these additional factors taken into account there appears little reason to doubt that 1938 output will fall behind that of 1937.

Since autos have been one of the brightest spots in the economic picture during the entire recovery period any relapse will be doubly serious. The steel industry especially will miss the annual increases in automobile business which have thus far characterized the recovery period.

### Construction

Construction has in recent years been second to automobiles as a user of steel. Though the dollar volume of construction has more than doubled since 1933 the 1937 estimated total of about \$2,800,000,000 is 56 percent short of the 1928 peak year in which contracts awarded totaled \$6,628,000,000.

### Construction Contracts Awarded (F. W. Dodge) (Million dollars)

	<u>10 months</u>	<u>Nov.-Dec.</u>	<u>Year</u>
1928	5,724	904	6,628
1933	886	370	1,256
1934	1,339	204	1,543
1935	1,393	452	1,845
1936	2,268	407	2,675
1937	2,506 <u>1/</u>	360 <u>2/</u>	2,866 <u>3/</u>







- 1/ October estimated at double the first half.
- 2/ Assuming the same percentage decline from last year as for September and October.
- 3/ Total of estimates explained in footnotes 1 and 2.

Recent weakness in security markets makes the floating of new capital issues, so necessary for an expanding volume of industrial construction, difficult. Total domestic new capital issues in August and September 1937, while the security markets were weak, amounted to only \$229,000,000 as compared with \$395,000,000 in the corresponding months of 1936—a decline of 42 percent—whereas \$1,513,000,000 of new issues during the preceding 7 months of 1937 exceeded the \$961,000,000 in 1936 by 57 percent. Obviously, construction volumes cannot be expected to expand until the capital markets strengthen and the general business outlook becomes more definitely favorable.

Thus, despite the favorable longer-term significance of growing shortages in residential building and an apparent need for utility and industrial capital expansion, immediate prospects do not suggest any near-term improvement.

#### Railroad Equipment

The income position of the railroads is not such in itself to suggest heavy buying of equipment and rails, but recent action of the Interstate Commerce Commission in granting rate increases on specified commodities and apparently opening wide the door for further and more important advances probably will lead eventually to greatly increased expenditures, possibly starting within the next year.

The \$48,000,000 increase in annual income anticipated by the roads from the increased rates just granted is only 36 percent as great as the estimated annual increase of \$133,000,000 incident to wage advances to both the operating and nonoperating personnel. However, the Interstate Commerce Commission, in granting most of the rates advances recently requested by the railroads, recognized the inadequacy of the present rate of earnings on invested capital and stated that earnings of the railroads in periods of good business should be allowed to exceed a reasonable return as an offset to the inadequate returns which must be expected in periods of low industrial activity. Thus, it is reasonable to assume that more extensive rate advances will be allowed. The railroad managements are now gathered in Chicago for the purpose of preparing a petition for further rate increases.



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THE NATIONAL ASSOCIATION OF THE DEAF, INC., 1515 K STREET, N.W., WASHINGTON, D.C. 20005, is a non-profit organization which has been in existence since 1888. It is a national organization of deaf persons and their friends, and is the largest and most influential organization of its kind in the United States. The Association's purpose is to promote the education, employment, and social and economic advancement of deaf persons, and to protect their rights and interests. It has a long and distinguished history of service to the deaf community, and has been instrumental in the development of many of the laws and regulations that govern the lives of deaf persons today. The Association is a member of the International Association of the Deaf, and is also affiliated with many other organizations and groups that are dedicated to the advancement of the deaf community.



Some idea of the possibilities of increased railway buying is offered by a comparison of recent orders for new equipment as compared with those last year. During the four months ending with September 1937 orders were placed for 4,243 freight cars as compared with 15,114 during the same period of 1936. This reduction in orders coincided with the lowest surplus of cars in years. The freight car surplus of only 104,000 on September 30, 1937 compared with 125,000 a year earlier and was as small as that at any time during the 1924-29 period of business prosperity. If productive activity expands much from the recent peak, prior to completion of the present economic cycle, the railroads will need to buy heavily in the near future.

Hesitancy on the part of the railroads in purchasing needed equipment more liberally is based on poor operating results. Total net income for 1936 and 1937 was less than the aggregate net losses suffered during the three preceding years. Furthermore, net profits of the Class I roads in recent months have been particularly disappointing.

Net Profits of Class I Roads  
(000)

	<u>1936</u>	<u>1937</u>
January	\$ 7,914 (d)	\$4,598 (d)
February	11,874 (d)	5,727 (d)
March	8,316 (d)	24,461
April	2,295 (d)	2,667
May	2,420 (d)	48 (d)
June	8,902	18,560
July	19,283	19,007
August	<u>20,857</u>	<u>10,000 (Est.)</u>
8 months' total	\$16,423	\$64,322
Year	166,630	

(d) deficit

With carloadings now fluctuating around last year's level as compared with substantial year-to-year gains earlier and with increased freight rates only a partial offset to wage advances it is probable that net income for the final four months of 1937 will fall short of the \$150,000,000 for the final four months of 1936; probably sufficiently short to prevent the annual net from reaching last year's level.

It is apparent that the railroads will be forced to continue to hold purchases of rolling stock and track steel to a minimum until profits are larger or at least until the near-term outlook for profits improves. Though early gains in railway purchases from recent near-zero







levels is probable, any sizeable business for the steel industry from this source is not in immediate prospect.

### The Less Volatile Industries

The 1938 outlook for industries discussed above concerns only industries producing capital goods or durable consumer goods. Usually the fluctuations in this type of industry are more violent than the average for all industrial production owing to inclusion in the total, the output of factories producing necessities and the less durable types of goods, consumption of which is relatively inelastic.

Factory production of food products has not been high in recent year, owing particularly to short supplies of livestock, and there is no reason to anticipate a reduced output for next year, but factory production of textiles and leather goods which reached record levels in late 1936 and early 1937 is now pointing downward. Even with cheap cotton for processing next year it appears doubtful that factory output of textile and of agricultural products in general will be up to the average of 1937. Thus the expected 1939 decline in industrial production is not entirely due to the less favorable outlook for some of the more durable products such as automobiles and steel.

### Prices and Living Costs

Wholesale prices have declined considerably during the past month, price weakness having been particularly pronounced in the farm, food and textile groups of products. However, there is not a group among those included in the Bureau of Labor Statistics weekly report that did not participate in the decline, as measured by the indexes for the weeks ending September 18 and October 16.

It has previously been noted that whereas farm income has already declined considerably, after correction for seasonal variation, non-agricultural income had its first relapse in September. Prices received by farmers and wholesale prices of farm and food products have also declined considerably more than the average of other commodities (see attached chart).

Living costs rose slightly in September to a new high since 1931. However, the living cost index has been remarkably steady since May, having fluctuated between 83.9 and 84.2 percent of the 1924-29 average during this 5 month period.

An analysis has been made in this section concerning the effect of changes in the volume of agricultural production and purchasing power of consumers (the two basic factors which control variations in retail expenditures for food) on the food budget of families of industrial workers. It was found that during the entire period 1921 to 1937



There is considerable up and down movement in the price of wheat from this source and it is important to note.

### The Wheat Situation

The 1937 wheat crop in the United States is estimated to be 1,000,000,000 bushels, or 1,000 million bushels, which is a record for the United States. This is due to the fact that the 1937 crop was the largest in the history of the United States. The 1937 crop was the largest in the history of the United States.

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changes in national income have been about twice as important in determining changes in food costs as have changes in agricultural production, but that a given percentage change in agricultural production (2-year average) has caused about twice the change in food prices as has the same percentage change in national income.

Assuming certain levels of agricultural production and of consumer income for 1938, and allowing for the effect of production of one year on food prices the next year and for an apparent downward drift in food prices relative to consumer income, it is possible to estimate probable consumer expenditures for food in 1938 as compared with those of 1937. Should 1938 national income be about 2 billion dollars (3 percent) less than in 1937 and the two year average index of net agricultural production, exclusive of cotton, be about 1 1/2 percent less, the cost per industrial worker family of the 58 foods used in Bureau of Agricultural Economics studies, might be around \$25, or 7 percent, lower in 1938 than in 1937.

The peak in retail food prices may have been reached last June, and by a year from now food costs should be down sufficiently to offset the major portion of any further advances in prices of the nonfood items of the family budget which may occur in the interim.

Family of four, 1937	100	100	100	100	100
Family of four, 1938	97.5	97.5	97.5	97.5	97.5
Family of four, 1939	95.0	95.0	95.0	95.0	95.0
Family of four, 1940	92.5	92.5	92.5	92.5	92.5
Family of four, 1941	90.0	90.0	90.0	90.0	90.0
Family of four, 1942	87.5	87.5	87.5	87.5	87.5
Family of four, 1943	85.0	85.0	85.0	85.0	85.0
Family of four, 1944	82.5	82.5	82.5	82.5	82.5
Family of four, 1945	80.0	80.0	80.0	80.0	80.0
Family of four, 1946	77.5	77.5	77.5	77.5	77.5
Family of four, 1947	75.0	75.0	75.0	75.0	75.0
Family of four, 1948	72.5	72.5	72.5	72.5	72.5
Family of four, 1949	70.0	70.0	70.0	70.0	70.0
Family of four, 1950	67.5	67.5	67.5	67.5	67.5
Family of four, 1951	65.0	65.0	65.0	65.0	65.0
Family of four, 1952	62.5	62.5	62.5	62.5	62.5
Family of four, 1953	60.0	60.0	60.0	60.0	60.0
Family of four, 1954	57.5	57.5	57.5	57.5	57.5
Family of four, 1955	55.0	55.0	55.0	55.0	55.0
Family of four, 1956	52.5	52.5	52.5	52.5	52.5
Family of four, 1957	50.0	50.0	50.0	50.0	50.0
Family of four, 1958	47.5	47.5	47.5	47.5	47.5
Family of four, 1959	45.0	45.0	45.0	45.0	45.0
Family of four, 1960	42.5	42.5	42.5	42.5	42.5



[illegible][illegible]

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# BUSINESS INDICATORS

		September:	August:	September:	September:	September:
	Key :	1937(P)	1937(r)	1936	1933	1929
Farm Income (with benefits)						
(1)	a	\$ 694	\$ 730	\$ 663	\$ 498	\$ 876
Monocultural Income						
(with relief) (1)	a	\$5,363	\$5,441	\$4,870	\$3,618	\$6,023
Industrial Production						
P.S.B. (1)	b	111	117	109	84	121
Department Store Sales (1)	c	98	83	80	62	102
Rural Retail Sales (1)	c	105	92	99	59	108
Motor Vehicle Output						
(Units) (U.S. and Canada)	d	176	405	140	198	430
New Passenger Car Regis-						
trations (Units)	d	226	300	209	158	304
Dollar Sales, New Passen-						
ger Autos (1)	c	73	84	58	36	98
Steel Ingot Production (Tons)	d	4,302	4,876	4,151	2,283	4,528
Building Contracts (Dodge):						
Total	a	\$ 207	\$ 235	\$ 234	\$ 120	\$ 444
Residential	a	\$ 66	\$ 73	\$ 81	\$ 22	\$ 117
Nonresidential	a	\$ 76	\$ 117	\$ 69	\$ 38	\$ 186
Railway Carloadings (2)	d	796	779	765	648	1,136
Electric Power Production						
(K.W. Hr.) (2)	a	2,255	2,290	2,114	1,636	1,763
Wholesale Prices, All						
Commodities	f	127.7	127.8	119.2	103.4	140.3
Wholesale Prices, Farm	f	120.5	121.2	117.8	79.9	149.5
Wholesale Prices, Food	f	136.4	134.4	129.1	100.6	160.2
Wholesale Prices, Non-						
agricultural	f	129.1	129.1	119.2	108.6	138.4
Prices Rec'd. by Farmers	f	*	130(4)	127(3)	116(3)	153(3)
Prices Paid by Farmers	f	*	118(4)	121(3)	78(3)	149(3)
Ratio of Prices Rec'd. to						
Prices Paid	f	*	91(4)	95(3)	67(3)	97(3)
Urban Cost of Living	b	84.7	84.4	82.4	78.8	100.6
U.S. Unemployment, Trade						
Unions (A.F. of L.)	c	114(3)	113(4)	134(3)	265(3)	89(3)
U.S. Employment, Mfg.						
Industries (B.L.S.)	c	97.5	97.7	91.2	79.5	103.8
U.S. Exports	a	297	278	220	160	437
U.S. Imports	a	233	246	216	147	351

P- Preliminary

r - Revised

\* - Not available

(1) Adjusted for seasonal variation

(2) Weekly average

(3) October

(4) September

KEY:

a - in millions

b - 1923-25=100

c - 1929=100

d - in thousands

f - 1910-14=100

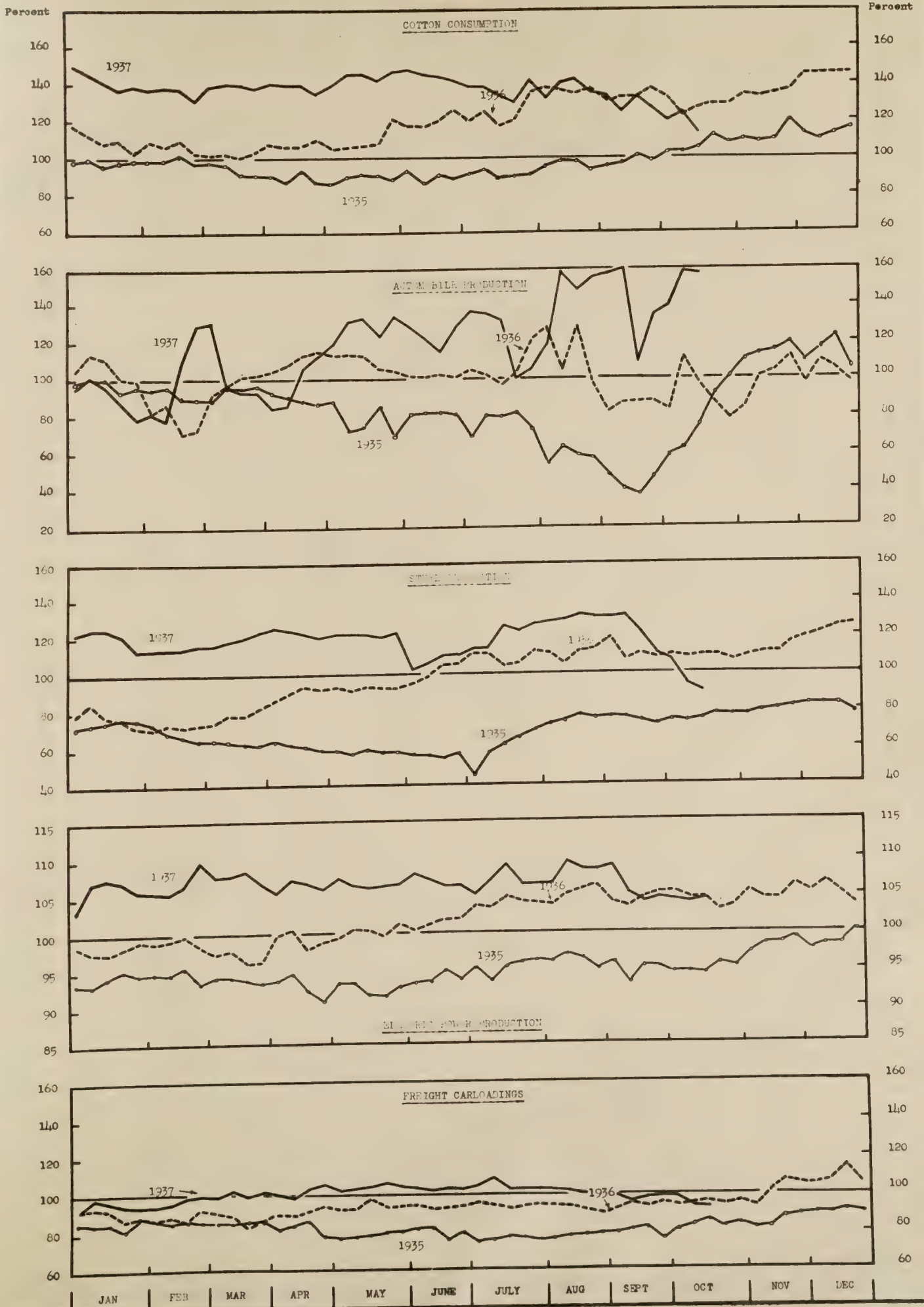






# WEEKLY BUSINESS INDICATORS

Adjusted for Seasonal Variation  
Estimated Normal = 100

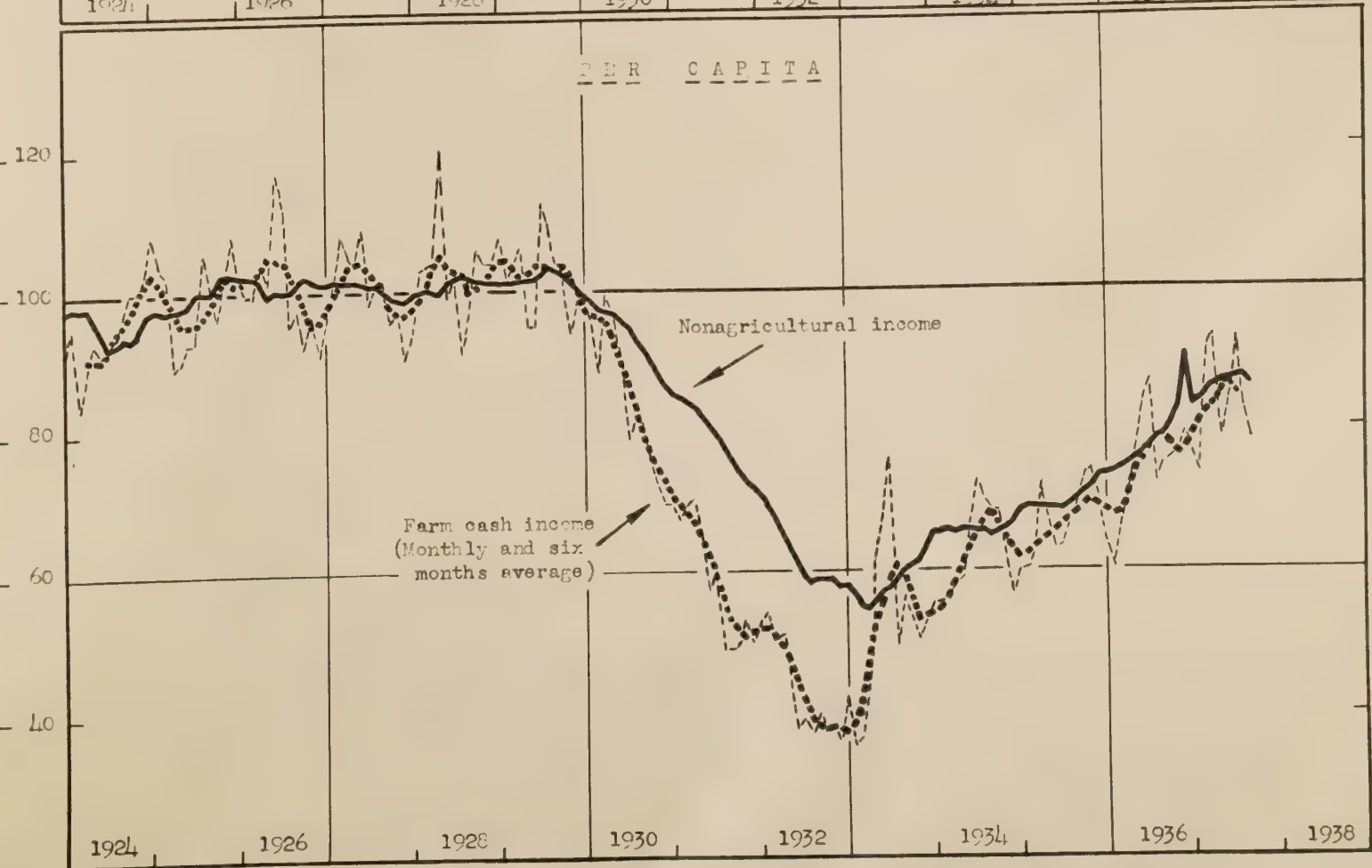
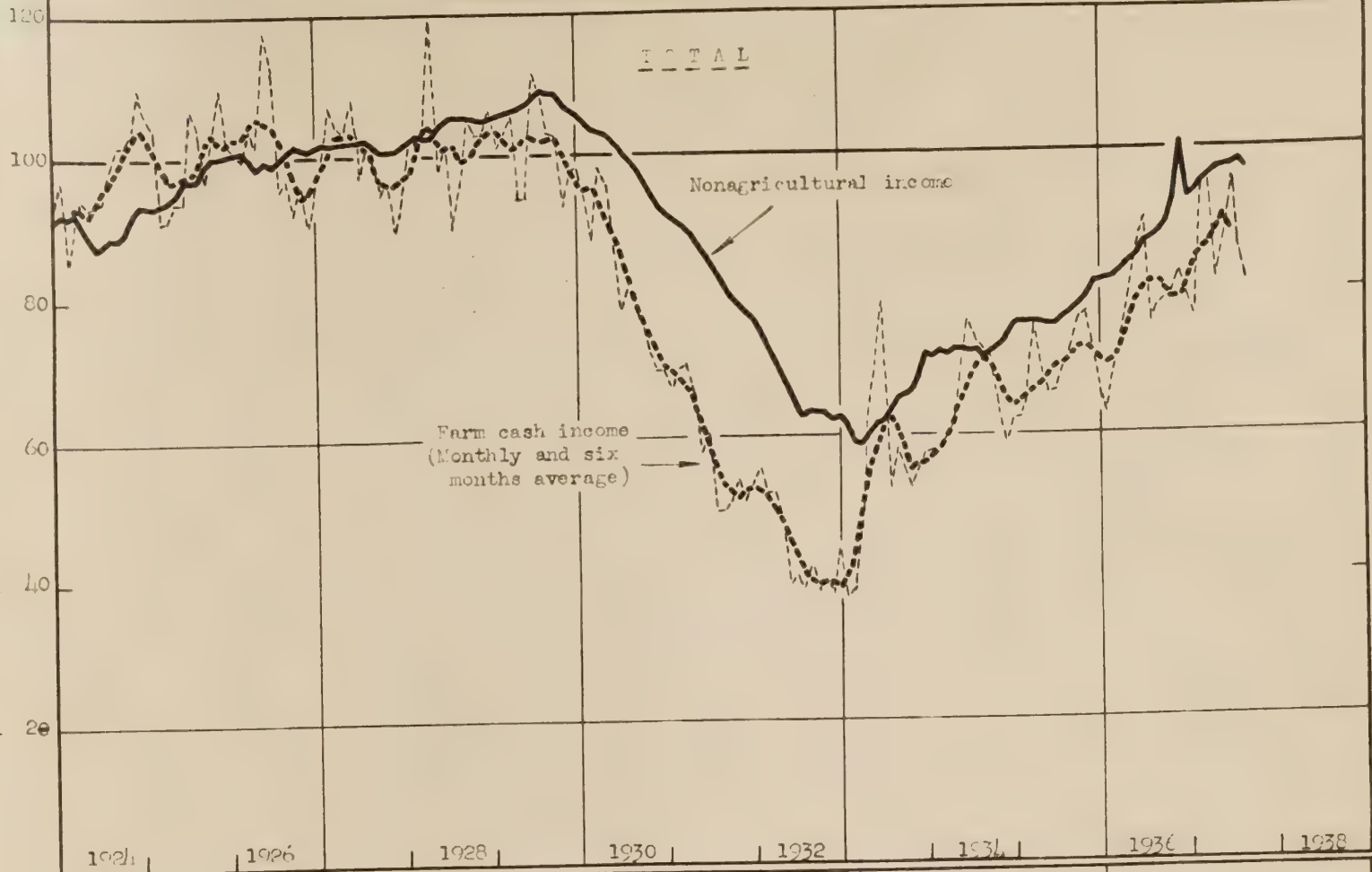








INDEXES OF NONAGRICULTURAL AND FARM CASH INCOME, TOTAL AND PER CAPITA  
 Seasonally corrected indexes, 1924=10





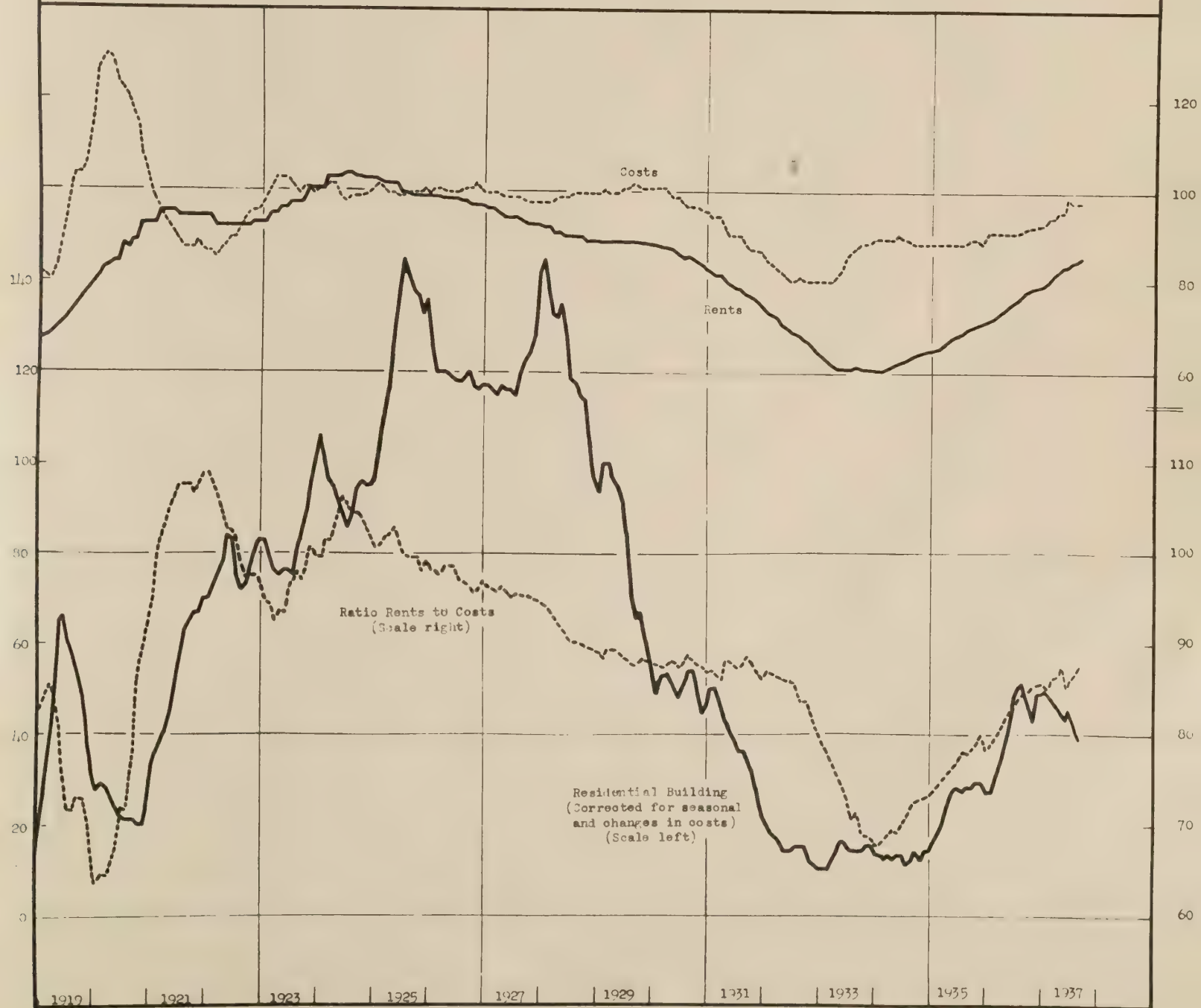




RESIDENTIAL BUILDING

(Indexes of Volume, Costs and Rents)

1923-5=100

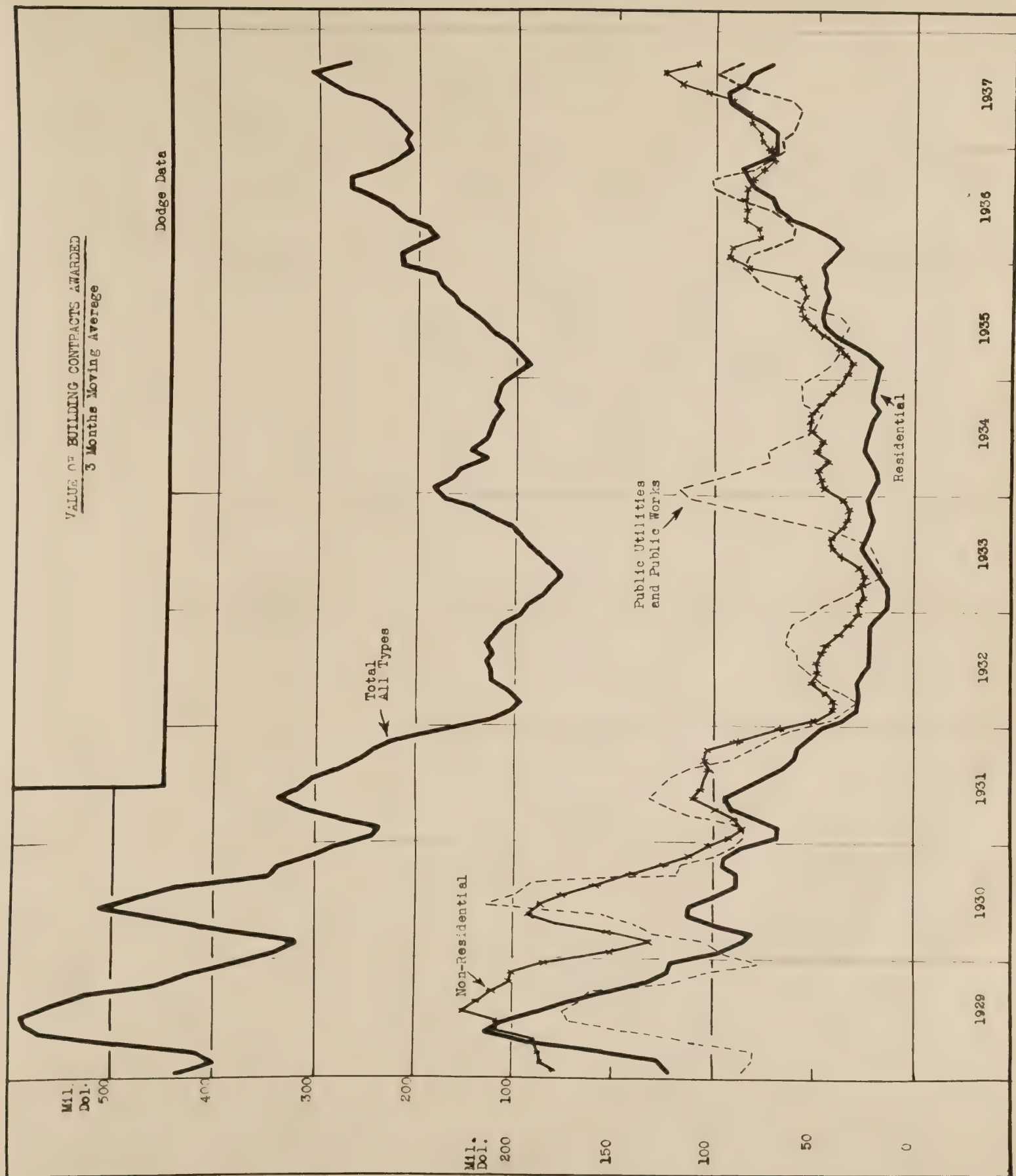






VALUE OF BUILDING CONTRACTS AWARDED  
3 Months Moving Average

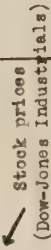
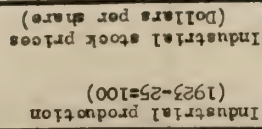
Dodge Data







Industrial production (1923-25=100)

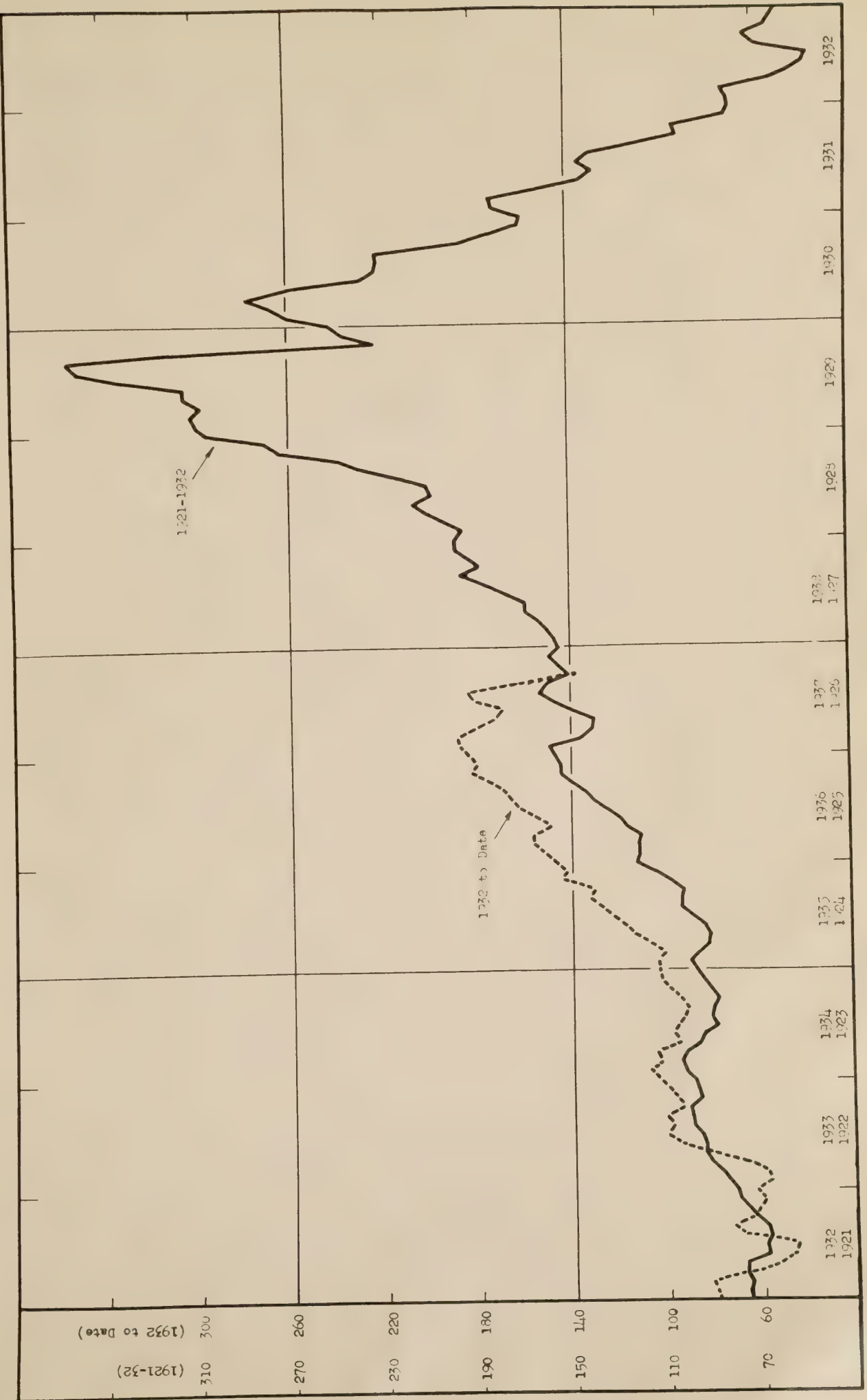


✓ Stock prices  
(Dow-Jones Industrials)





INDUSTRIAL STOCK INDEX 1921-1932  
(Dow Jones Averages - Dollars per Share)







# MANUFACTURING OUTPUT AND WHOLESALE PRICES

1929=100

Per-  
cent

120

100

80

60

40

120

100

80

60

40

Production (using agricultural  
products as raw materials)

Production (using nonagricultural  
products as raw materials)

Prices  
(Nonagricultural)

Prices  
Agricultural

1927

1928

1929

1930

1931

1932

1933

1934

1935

1936

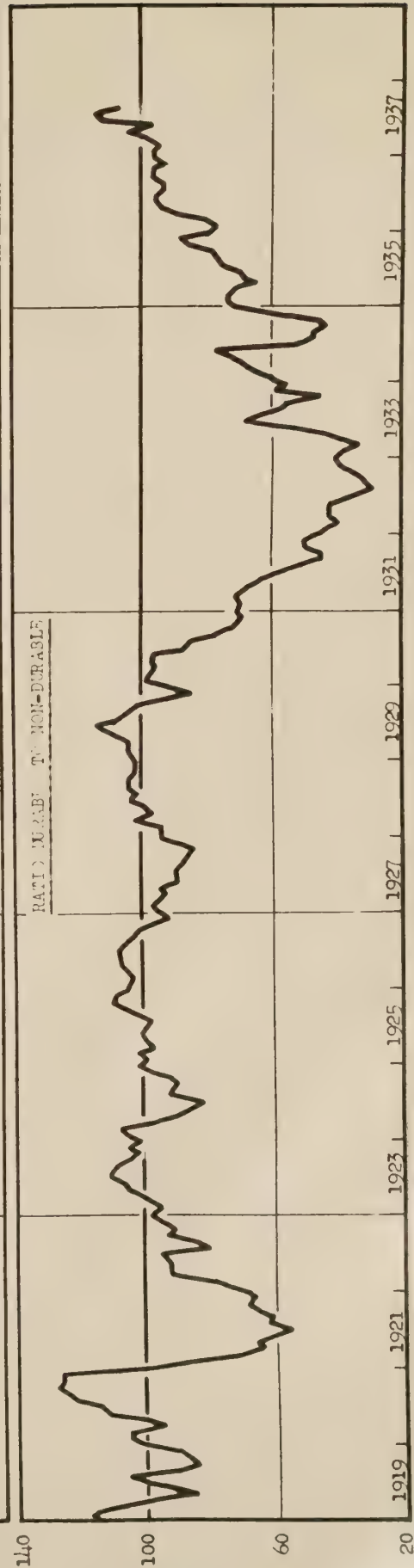
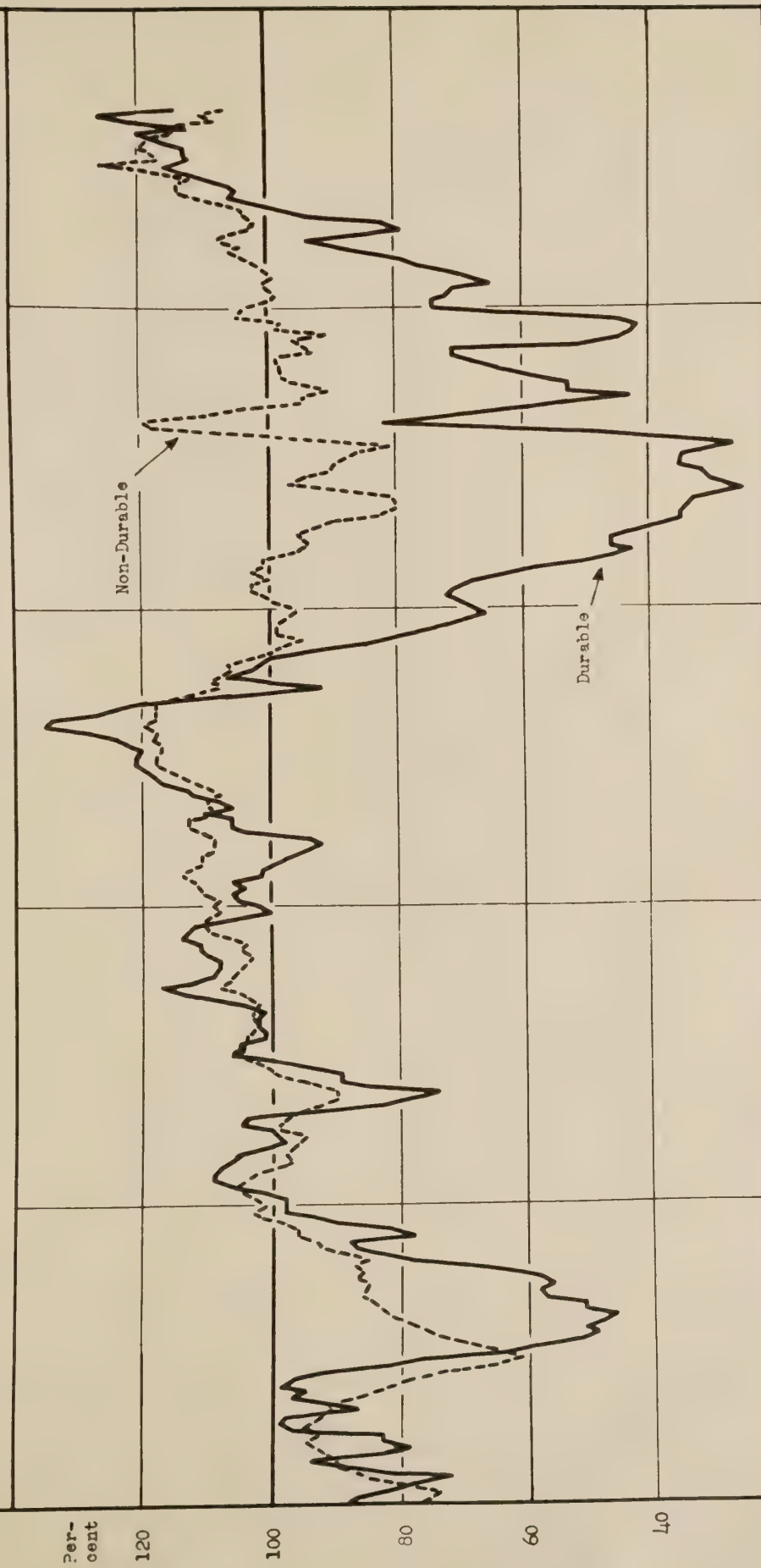
1937

1938





FACTORY PRODUCTION OF DURABLE AND NON-DURABLE GOODS,  
AND RATIO OF FORMER TO LATTER, 1919-37  
Adjusted for Seasonal Variation (1923-25=100)

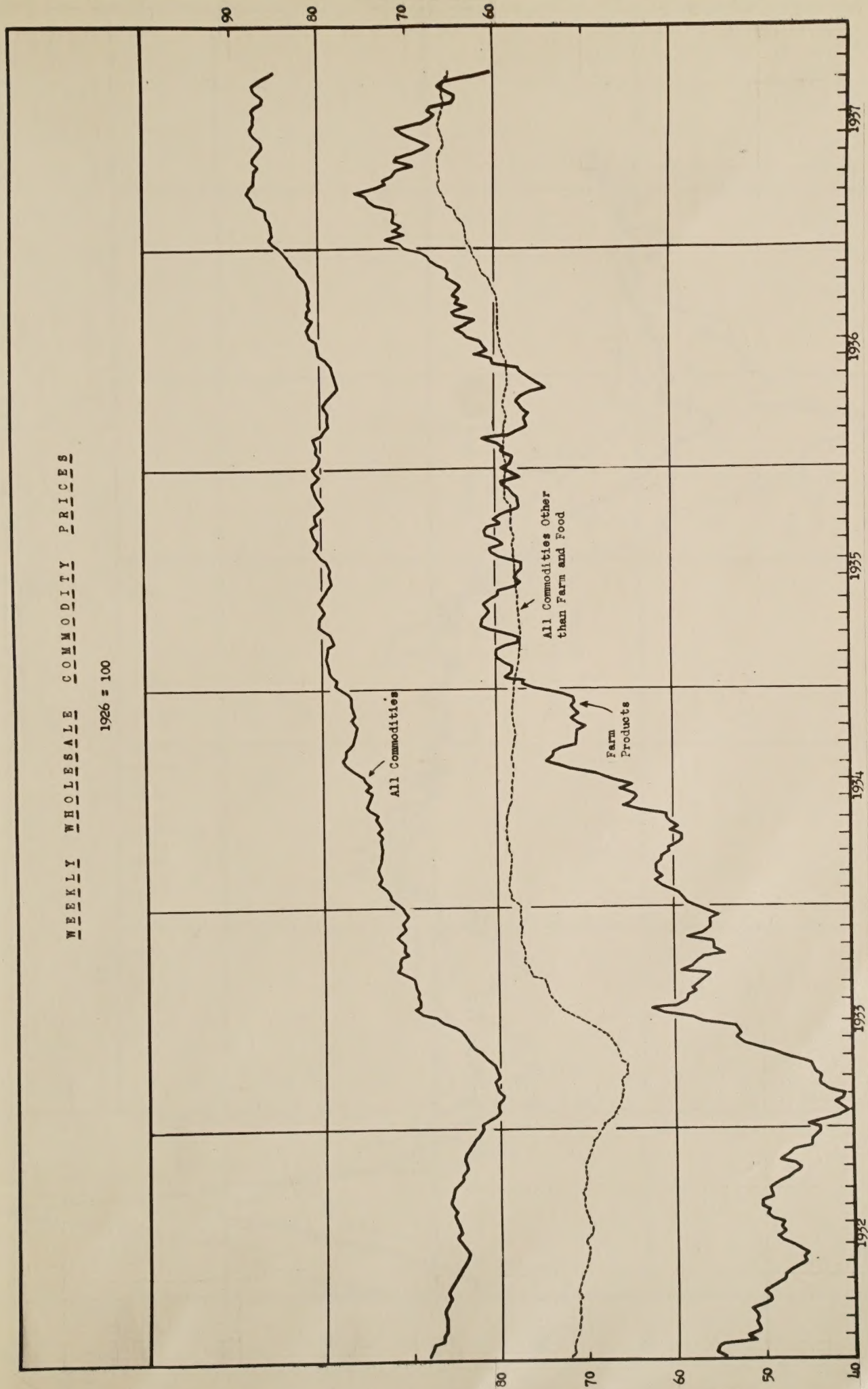






WEEKLY WHOLESALE COMMODITY PRICES

1926 = 100







INDEXES OF RETAIL SALES  
Adjusted for Seasonal Variation  
(1929 = 100)

Per-  
cent

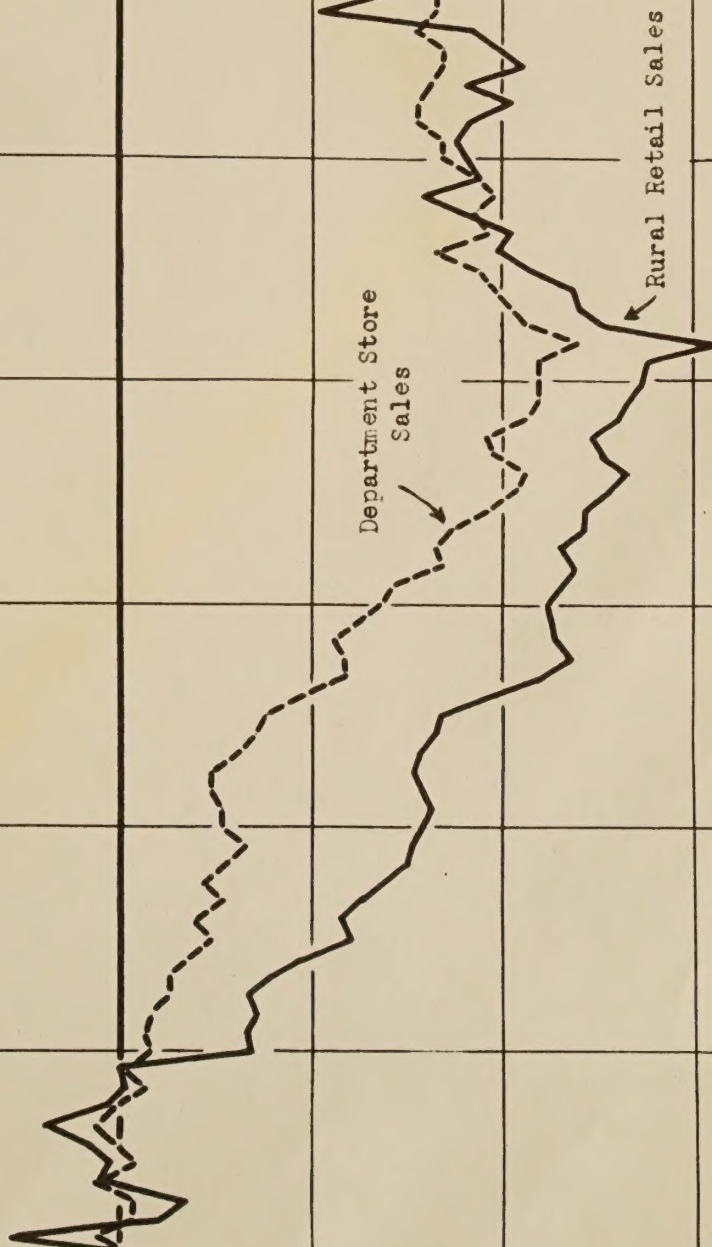
120

100

80

60

40



1929

1930

1931

1932

1933

1934

1935

1936

1937

